

House Bill 4636

Senate Insurance Committee

Testimony of SSAM Secretary & Treasurer Stacey Irwin

Mr. Chairman and Committee members, thank you for the opportunity to testify before you today in support of House Bill 4636. My name is Stacey Irwin and I am the Secretary and Treasurer of the Board of Directors of the Self Storage Association of Michigan. With me is Bill Perrone, the Association's general counsel.

As Representative Rendon described, this bill was introduced to clarify that the Insurance Code exempts self-storage facility owners, operators, and employees who sell a third-party insurer's product from licensure as insurance agents.

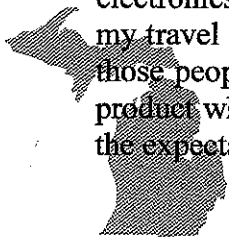
The primary reason for the exemption is to provide insurance in a convenient way, and at an affordable price, for those consumers who *do* not have or *would* not otherwise receive appropriate coverage through traditional sources due to a.) the low value of the goods, b.) short term of the policy, and c.) minimal commissions for a traditional insurance agent.

This method of delivering insurance better protects consumers against property damage and loss at an affordable cost. Some customers of self-storage facilities have no other place to store their possessions, and those who rent or own homes often do not have adequate coverage through their homeowners or renters policies for "stored goods." Many may have no coverage at all. This is *targeted* insurance coverage specifically designed for property stored in a self-storage facility.

The insurance coverage is typically month to month and runs in conjunction with the lease of the storage unit. The cost is small and the market is contained. Consumers are otherwise not serviced by traditional insurance producers for loss or damage of their stored property. As a result, much stored property goes uninsured.

Those opposed may say that that this product is complicated; however, it is no different than auto rental insurance, travel insurance, or insurance for portable electronics, which are received at the point of sale and are currently exempt if incidental to the short term rental of a car, making travel arrangements, or the sale of a portable electronic device.

From the consumer standpoint, when the individual working behind the desk at a car rental counter operation offers me an insurance product along with my rental car, or the salesperson at an electronics retailer offers me an insurance product when I buy a new electronic device, or when my travel agent offers me travel insurance when I book a trip abroad, I have no expectation that those people are licensed insurance agents. Similarly, when a consumer is offered an insurance product when making arrangements for a self-storage facility lease, that consumer does not have the expectation that the individual is a licensed insurance agent.



With this exemption, consumers will continue to be protected against unfair practices through the Michigan Consumer Protection Act. Regulation of the sale of this type of insurance would provide no greater protection for such consumers.

Those opposed may also say that this insurance product is more closely comparable to renters insurance, rather than car rental, portable electronic device, and travel insurance. Renters insurance is significantly broader than stored property insurance as it provides coverage for personal liability and damage to an apartment or rental house – neither of which are at issue in stored property insurance. Further, renters insurance for an apartment or rental house is covering the dwelling and property which arguably includes running water, electricity, gas, and household items such as major appliances like stoves, washers, dryers, furnaces, hot water heaters, etc. The insurance products are clearly different, with the renters insurance clearly the broader, significantly more complex of the two.

This legislation differs from the proposal that was adopted by this Committee during last session in order to address concerns raised by the Governor's office. The Self-Storage Association of Michigan worked diligently with the Department of Insurance and Financial Services to address these concerns over recent months, and this work is reflected in the Department's position today, as opposed to their opposition last session. The changes, briefly, are:

- a. It requires disclosure that such insurance may be duplicative of coverage already provided, as well as a summary of all material terms of coverage, such as the name of the insurer, benefits of coverage, key terms and conditions, and the process for filing a claim.
- b. The insurance may not be for stored goods valued at more than \$10,000 – sort of a “small claims” exemption.
- c. The exempted insurance must be sold only through a group coverage insurance policy provided by a licensed insurance agent to the facility. Individual policies will not be provided by the self-storage facility.

Finally, those opposed will pose the question of “where do you draw the line?” or “What's next?” While we understand those questions and the issues – it's clear to us that “the line” to be drawn is not here.

To summarize, this is important coverage to many customers of self-storage facilities – coverage many would not otherwise be able to obtain. To that end, we urge your support of House Bill 4636.

Thank you again for your time. Bill and I would gladly answer any questions you may have.